WRITTEN ANSWERS TO STARRED QUESTIONS

New Bus and Rail services between India and Pakistan

*41. SHRI SANJAY NIRUPAM: Will the Minister of EXTERNAL AFFAIRS be pleased to state:

(a) whether India and Pakistan are planning to start any new bus and rail services between the two countries;

(b) if so, the details of the proposed services; and

(c) by when these are expected to start?

THE MINISTER OF STATE IN THE MINISTRY OF EXTERNAL AFFAIRS (SHRI E. AHAMMED): (a) to (c) During the recent visit of the External Affairs Minister to Pakistan from February 15-17, 2005, agreements were reached with Pakistan to start bus services between Srinagar and Muzaffarabad, and between Amritsar and Lahore, including to religious places such as Nankana Sahib. Pakistan also agreed to work towards early restoration of Khokrapar-Munnabao rail link. The Srinagar Muzaffarabad bus service is expected to commence on 7 April 2005. Dates for the Amritsar-Lahore bus service and the Khokrapar-Munnabao rail link would be finalized in consultation with the Government of Pakistan.

FDI in Telecom sector

*42. PROF. ALKA BALRAM KSHATRIYA:
DR. T. SUBBARAMI REDDY:

Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether Foreign Direct Investment (FDI) upto 74 per cent in the telecom sector has been considered:

(b) if so, the details thereof;

(c) the number of foreign investors who have come forward to invest in the telecom sector;

(d) the concrete measures proposed by Government to improve the telecommunication system in the country; and

(e) by when a final decision in this regard is likely to be taken?

THE MINISTER OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI DAYANIDHI MARAN): (a) Yes, Sir.

(b) Salient features of the decision are given in the enclosed Statement (*See* below).

(c) No fresh proposal has been received by the Government after the announcement of enhancing FDI limits in telecom sector.

(d) and (e) The Government has alerady opened up all sub-sector of telecom for private sector participation. Telecommunications being an evolving sector, depending upon the need and technological developments, Government takes various policy initiatives from time to time.

Statement

Increase in FDI ceiling to 74 percent in telecom sector

The Union Cabinet on 02.02.2005 approved a proposal to enhance composite foreign holding in Telecom sector to 74 percent. With this decision, the current FDI ceiling in the Telecom Sector in certain services (Such as Basic, Cellular, Unified Access Service, National/International Long Distance, V-SAT, Public Mobile Radio Trunked Service (PMRTS), Global Mobile Personal Communications Service (GMPCS) and other value added services, has been increased from 49 percent to 74 percent.

The total composite foreign holding including but not limited to investment by Foreign Institutional Investors (FIIs), Non-Resident Indians (NRIs) Foreign Currency Convertible Bonds (FCCBs), American Depository Receipts (ADRs), Global Depository Receipts (GDRs), convertible preference shares, proportionate foreign investment in Indian promoters/investment companies including their holding companies etc., will not exceed 74 percent. Thus, 74 percent foreign investment can be made directly or indirectly in the operating company or through a holding company. Hence, the remaining 26 per cent will be owned by resident indian citizens or an Indian Company (i.e. foreign direct investment does not exceed 49 percent and the management is with the Indian owners). It is clarified that proportionate foreign component of such an Indian Company will also be counted towards the ceiling of 74%. The licensee will be required to disclose the status of such foreign holding and certify that the foreign investment is within the ceiling of 74% on a half yearly basis.

While enhancing the FDI ceiling certain conditions have been put in place to safeguard the national interest. The salient conditions are:—

(a) The majority Directors on the Board including Chairman, Managing Director and CEO shall be resident Indian citizens. The Share Holder Agreement (SHA) shall specifically incorporate this condition and also envisage the conditions of adherence to Licence Agreement.

(b) In order to ensure that at least one serious resident Indian promoter subscribers reasonable amount of the resident Indian shareholding, such resident Indian promoter shall hold at least 10 percent equity of the licensee company.

(c) Chief Technical Officer (CTO) Chief Finance Officer (CFO) should be resident Indian citizens. The Licensor/DOT shall also be empowered to notify any key positions to be held by resident Indian citizens.

(d) No traffic (mobile and landline) from subscribers within India to subscribers within India shall be hauled to any place outside India.

(e) The Company shall not transfer the following to any person/ place outside India:

(i) any accounting information relating to subscriber (except for roaming/billing) (note: it does not restrict a statutorily required disclosure of financial nature);

(ii) user information (except pertaining to foreign subscribers using Indian Operator's network while roaming); and

(iii) details of their infrastructure/network diagram except to telecom equipment suppliers/manufactures who undertake the installation, commissioning etc. of the infrastructure of the licensee company on signing of non-disclosure agreement.

These conditions shall also be made applicable to the companies operating telecome service(s) with existing FDI ceiling of 49 percent. With the above dispensation, the present provisions in FDI policy for investment

company will no longer be applicable for Telecom sector as indirect foreign investment in the licensee company will also be counted towards sectoral cap of 74 percent.

In case of not adhering to licence conditions now being imposed for addressing security concerns, the licence(s) granted to the company shall be deemed as cancelled and the licensor shall have the right to encash the performance bank guarantees and the licensor shall not be liable for loss of any kind.

Sethusamudram Project

*43. SHRI KRIPAL PARMAR: Will the Minister of SHIPPING, ROAD TRANSPORT AND HIGHWAYS be pleased to state:

(a) whether it is a fact that Government are all set to implement the Sethusamudram Project to help coastal shipping and trade;

(b) if so, the details thereof and the status of this project; and

(c) how far it would contribute to the national economy, develop the coastal districts of Tamil Nadu, improve the competitiveness of exports and generate employment opportunities on its completion?

THE MINISTER OF SHIPPING, ROAD TRANSPORT AND HIGHWAYS (SHRI T.R. BAALU): (a) and (b) A Special Purpose Vehicle (SPV) by name and style 'Sethusamudram Corporation Limited' (SCL) has already been incorporated to raise finance and to undertake such other activities as may be necessary to facilitate creation and operation of a navigable channel from Gulf of Manner to Bay of Bengal through Palk Bay. The Detailed Project Report (DPR) for the project is ready. The environment clearance for the project has been applied for, which is yet to be received. The project is being processed for obtaining approval of the competent authority.

(c) On its completion, Sethusamudram Ship Channel Project (SSCP) will provide a shorter navigational route between west and east coast ports of India. This would lead to substantial savings for the shipping companies, exporters and importers, manufacturers and traders with reduction in transportation cost and thus making India's foreign trade more competitive globally. The SSCP would also benefit coastal movement of domestic